

Department of Social and Health Services

DP Code/Title: PL-LL Social Service Payment System

Program Level - 110 Admin & Supporting Svcs

Budget Period: 2003-05 Version: 11 2003-05 Agency Request Budget

Recommendation Summary Text:

The Social Service Payment System (SSPS) is a 23-year-old system that is too rigid to meet the fiscal and technological challenges facing the Department of Social and Health Services (DSHS). Its limitations are costing the state more and more each year in penalties, incomplete reports for capturing federal assistance, expensive system patches, and missed opportunities for program efficiencies. This request is for funding to replace the SSPS.

Fiscal Detail:

Operating Expenditures

| | <u>FY 1</u> | <u>FY 2</u> | <u>Total</u> |
|---|--------------------|--------------------|---------------------|
| Program 110 | | | |
| 001-1 General Fund - Basic Account-State | 4,793,000 | 2,192,000 | 6,985,000 |
| 001-A General Fund - Basic Account-DSHS Fam Support/Chi | 200,000 | 91,000 | 291,000 |
| 001-C General Fund - Basic Account-DSHS Medicaid Federa | 1,320,000 | 603,000 | 1,923,000 |
| Total Cost | 6,313,000 | 2,886,000 | 9,199,000 |

Staffing

| | <u>FY 1</u> | <u>FY 2</u> | <u>Annual Avg</u> |
|-------------------------|--------------------|--------------------|--------------------------|
| Program 110 FTEs | 3.0 | 3.0 | 3.0 |

Package Description:

Changes in federal and state laws regarding Internal Revenue Service (IRS) requirements, union dues, and other voluntary payroll deductions for caregivers and health insurance portability are placing new demands on the 23-year-old SSPS. Five administrations would remain out of compliance with current laws without this proposal to replace old technologies.

SSPS was conceived and developed in the late 1970s by DSHS to provide authorization and payment calculation for services performed for clients and to collect client data required for state and federal reports. It is the largest cross-divisional, service-based system in DSHS. The demand on the system has increased 289 percent since 1993.

A feasibility study, completed in 1995 by the Dye Management, Inc., determined that the software and file structures is antiquated, constrictive, and cumbersome. SSPS is a mainframe system written in COBOL that contains about 300 programs with over 350,000 lines of code. Its database resides on a Unisys mainframe and has 11 areas that are interconnected by database keys. It is a complex vendor billing system.

Replacing the SSPS is needed for the following reasons:

- 1) The inability to meet IRS reporting requirements resulting in more than \$21.5 million dollars in potential fines and penalties each year, and numerous corrections to filings by providers,
- 2) The inability to provide voluntary deductions, such as union dues, from provider wages,
- 3) The inability to comply with the federal Health Insurance Portability and Accountability Act (HIPAA),
- 4) The inability to collect required data items and Federal Financial Participation dollars lost by audit exceptions, sanctions, and inappropriate payments,
- 5) An increasing probability that the system will become unable to provide timely and accurate vendor and client payments due to system failures,

Department of Social and Health Services

DP Code/Title: PL-LL Social Service Payment System

Program Level - 110 Admin & Supporting Svcs

Budget Period: 2003-05 Version: 11 2003-05 Agency Request Budget

6) A limited ability to interface with other automated systems to exchange information necessary to make payments or provide management information,

7) An increasingly inefficient use of staff time to manually perform some important accounting functions because there is no automated support, and

8) A steady increase in the use of staff time to simply maintain the current system.

The current system is too rigid in terms of its construction and intent to meet the fiscal and technological challenges facing DSHS.

Two major activities needed at the time of the Dye Management, Inc. SSPS Feasibility Study have been accomplished. The first is the development within DSHS of the Wide Area Network (WAN). The second is the equipping of most field staff with up-to-date computers and software. This reduces the project length from the 1995 study from a projected nine years to six and one-half years. The foundation work would begin July 2003 with implementation completed in June 2009.

Narrative Justification and Impact Statement

How contributes to strategic plan:

Performance Measure Detail

Program: 110

Goal: 05K Continue to improve processes that promote the effective use of resources

Incremental Changes

FY 1**FY 2**

Outcome Measures

5K3 The Department of Social and Health Services will not exceed the IRS reporting error rate of .5%.

0

0

Reason for change:

This payment system is seriously out-dated, and changes cannot be made to its core system without an exorbitant amount of cost and effort. Since payments through SSPS have grown to more than \$1 billion a year, many change requests are being made, which cannot be completed due to the cumbersome nature of the system. Some of those changes if not made will lead to large monetary penalties for DSHS.

If funded, this project will use up-to-date technology to create a flexible system that can capitalize on current federal funding opportunities, prevent costly IRS fines, provider penalties, allow for changing business processes over time with minimal expense, and ensure compliance with both federal and state laws.

Impact on clients and services:

A redesigned SSPS would target numerous client and provider issues expressed over the years such as accurate and more frequent payments, more timely notice to clients and vendors of changes, enhanced reporting capabilities, flexibility for making system changes, and greater accessibility to information such as on-line validation and inquiry.

Impact on other state programs:

SSPS currently supports and interfaces with 11 divisions within four administrations of DSHS.

Relationship to capital budget:

Department of Social and Health Services

DP Code/Title: PL-LL Social Service Payment System
Program Level - 110 Admin & Supporting Svcs

Budget Period: 2003-05 Version: 11 2003-05 Agency Request Budget

Not applicable

Required changes to existing RCW, WAC, contract, or plan:

Not applicable

Alternatives explored by agency:

DSHS has been aware of the need to replace the outdated SSPS system. Due to the high cost of designing a system and lack of funding to meet current needs, the agency has opted to take an incremental approach in transitioning from the old system. The system has grown extremely large, complex, and fragile. Each change now carries such a high price tag and risk, that it is becoming more feasible to replace the system for significant savings in the long term.

Budget impacts in future biennia:

A little over half of total project costs (51 percent) are needed in the first of three biennium budget cycles. Costs drop dramatically in the 2005-07 Biennium to 36 percent of total costs, and 13 percent will be needed in the 2007-09 Biennium.

The SSPS has grown so dramatically while maintaining its old architecture, that this project's greatest future advantage will be in the area of cost avoidance. This project will prevent over \$21.5 million dollars a year in IRS fines. It will also help prevent loss of program funds through overpayments and duplicate payments, and prevent lawsuits caused by disgruntled providers. A more flexible accounting structure will allow for maximized federal funds.

Distinction between one-time and ongoing costs:

Ongoing costs are not included in this project estimate, but it is anticipated that the three DSHS project FTEs would remain, the ongoing operations would be in-house, the costs to make changes due to new laws and expectations would be greatly reduced, and except for the three new FTEs operations would remain on a par with current operations.

Effects of non-funding:

The current 23-year-old SSPS system is critically lacking in its ability to meet current expectations and needs. It has grown in payments to over \$1 billion a year, and makes payments to hundreds of thousands of Washington residents/providers each month. SSPS has already experienced system problems that have only briefly been recognized by providers and due to labor-intensive efforts by staff have resulted in minimal cost to DSHS Administrations. New requirements placed upon the system are becoming so frequent that a major failure is imminent.

Expenditure Calculations and Assumptions:

See attachment - ASD PL-LL Social Service Payment System.xls

| <u>Object Detail</u> | <u>FY 1</u> | <u>FY 2</u> | <u>Total</u> |
|----------------------------------|--------------------|--------------------|---------------------|
| Program 110 Objects | | | |
| A Salaries And Wages | 181,000 | 181,000 | 362,000 |
| B Employee Benefits | 39,000 | 39,000 | 78,000 |
| E Goods And Services | 5,155,000 | 1,728,000 | 6,883,000 |
| J Capital Outlays | 933,000 | 933,000 | 1,866,000 |
| T Intra-Agency Reimbursements | 5,000 | 5,000 | 10,000 |
| Total Objects | 6,313,000 | 2,886,000 | 9,199,000 |

Department of Social and Health Services

DP Code/Title: PL-LL Social Service Payment System

Program Level - 110 Admin & Supporting Svcs

Budget Period: 2003-05 Version: 11 2003-05 Agency Request Budget

DSHS Source Code Detail

| Program 110 | | <u>FY 1</u> | <u>FY 2</u> | <u>Total</u> |
|---|--------------------------------------|------------------|------------------|------------------|
| Fund 001-1, General Fund - Basic Account-State | | | | |
| <u>Sources</u> | <u>Title</u> | | | |
| 0011 | General Fund State | 4,793,000 | 2,192,000 | 6,985,000 |
| <i>Total for Fund 001-1</i> | | 4,793,000 | 2,192,000 | 6,985,000 |
| Fund 001-A, General Fund - Basic Account-DSHS Fam Support/Chi | | | | |
| <u>Sources</u> | <u>Title</u> | | | |
| 658L | Title IV-E-Foster Care (50%) | 64,000 | 29,000 | 93,000 |
| 659L | Title IV-E Adoption Assistance (50%) | 136,000 | 62,000 | 198,000 |
| <i>Total for Fund 001-A</i> | | 200,000 | 91,000 | 291,000 |
| Fund 001-C, General Fund - Basic Account-DSHS Medicaid Federa | | | | |
| <u>Sources</u> | <u>Title</u> | | | |
| 19UL | Title XIX Admin (50%) | 1,320,000 | 603,000 | 1,923,000 |
| <i>Total for Fund 001-C</i> | | 1,320,000 | 603,000 | 1,923,000 |
| Total Program 110 | | 6,313,000 | 2,886,000 | 9,199,000 |